OVERALL OPTIMISM CONTINUES TO RISE...BUT SO DO DEBT CONCERNS

For the third time in the last four Nielsen surveys, consumer confidence is trending up in Canada.

In the third quarter of 2014, the Canadian confidence level rose one index point to 103. Conducted in 60 countries, the Nielsen Global Consumer Confidence Index measures views about local job prospects, personal finances and ability and willingness to spend. These perceptions are captured in a score. Levels above and below a baseline of 100 indicate degrees of optimism and pessimism.

The consumer confidence levels in Canada, going back to this same point last year, show a steady rise:
Among the highlights of the Q3 survey:

- **Keeping pace with global trends.** Although the overall global index was up only one point to 98, Canada was among the 65% of countries surveyed with a sunnier outlook in this quarter. Like the Canadian numbers, the global index has been on the upswing and has now exceeded the pre-recession level of consumer confidence for three consecutive quarters.

- **Feelings about personal finances and buying intentions hold.** Attitudes in Canada are about the same as in Q2, but optimism is up from the beginning of 2014 and from this same point last year. More Canadians say they are putting spare cash towards clothes, entertainment and holidays. Meanwhile, fewer Canadians are socking away that spare cash in savings and investing.

- **Canadians are feeling far better about jobs.** Optimism about the job market is up 6 percentage points, at a time when the unemployment rate is falling.

- **A recessionary mindset is on the wane.** 41% of Canadians feel the country is in a recession (compared to 65% of Americans and 54% of respondents globally who feel that way about their country). That’s down for the second consecutive quarter. In contrast, for the 2½ years prior, about half of Canadians surveyed felt the country was still in recession.

- **Debt is a big concern.** The number of Canadians who rate debt as either their #1 or #2 concerns are up 6 percentage points. Almost 3 in 10 Canadians put debt at the top of their worry list, significantly more than any other issue.

“Optimism is on the rise, but it yet has to be reflected in overall spending, as Canada’s consumer package goods industry still struggles, with minimal growth driven by modest inflation, said Carman Allison,” VP Consumer Insights
In Canada, 61% of respondents were optimistic about personal finances (barely off from 62% in Q2), while 45% expressed positive buying intentions (again down just a single percentage point from Q2).

Nielsen asked consumers about whether this was a good time to buy what they need and want, considering their finances and costs:

**IS THIS A GOOD OR BAD TIME TO BUY?**

**CANADA**

**EXCELLENT**

- Q3 13: 5%
- Q4 13: 5%
- Q1 14: 5%
- Q2 14: 4%
- Q3 14: 3%

**GOOD**

- Q3 13: 40%
- Q4 13: 41%
- Q1 14: 37%
- Q2 14: 39%
- Q3 14: 38%

**NOT GOOD**

- Q3 13: 43%
- Q4 13: 38%
- Q1 14: 44%
- Q2 14: 42%
- Q3 14: 41%

**BAD**

- Q3 13: 11%
- Q4 13: 12%
- Q1 14: 13%
- Q2 14: 13%
- Q3 14: 14%
One note of caution – while the percentage of Canadians who say “good” or “excellent” is about the same as the previous survey, the numbers saying “bad” or “not good” is up from 50% to 54%.

How are spending intentions translating into actual purchases? Let’s look at what Canadians do with their money after covering essential living expenses.

On the spending side, one-quarter of Canadians are now using spare cash on clothes. That’s up 5 percentage points from the beginning of 2014. The numbers of Canadians who say they’re spending on out-of-home entertainment is also up from Q2, but is at the same levels of the two Nielsen surveys before that.

Meanwhile, compared to Q2 fewer Canadians are putting spare cash into savings, investments and retirement funds. More Canadians, however, are looking to work on their personal balance sheets by paying down debt. That’s not surprising given the high levels of credit debt in Canada – see the list of top Canadian strategies.
WHAT DO YOU DO WITH YOUR SPARE CASH?

### SPENDING STRATEGIES

**OUT-OF-HOME ENTERTAINMENT**
- Q3 13: 18%
- Q4 13: 15%
- Q1 14: 18%
- Q2 14: 18%
- Q3 14: 20%

**NEW CLOTHES**
- Q3 13: 24%
- Q4 13: 22%
- Q1 14: 19%
- Q2 14: 19%
- Q3 14: 21%

**NEW TECHNOLOGY PRODUCTS**
- Q3 13: 16%
- Q4 13: 16%
- Q1 14: 16%
- Q2 14: 15%
- Q3 14: 17%

**HOME IMPROVEMENTS/DECORATING**
- Q3 13: 21%
- Q4 13: 21%
- Q1 14: 18%
- Q2 14: 17%
- Q3 14: 19%

**HOLIDAYS/VACATIONS**
- Q3 13: 30%
- Q4 13: 29%
- Q1 14: 28%
- Q2 14: 28%
- Q3 14: 26%

### SAVING STRATEGIES

**PAYING OFF DEBTS/CREDIT CARDS/LOANS**
- Q3 13: 37%
- Q4 13: 34%
- Q1 14: 39%
- Q2 14: 35%
- Q3 14: 37%

**PUTTING INTO SAVINGS**
- Q3 13: 42%
- Q4 13: 43%
- Q1 14: 41%
- Q2 14: 39%
- Q3 14: 38%

**INVESTING IN SHARES OF STOCK/MUTUAL FUNDS**
- Q3 13: 12%
- Q4 13: 15%
- Q1 14: 14%
- Q2 14: 11%
- Q3 14: 11%

**RETIREMENT FUND**
- Q3 13: 17%
- Q4 13: 19%
- Q1 14: 17%
- Q2 14: 18%
- Q3 14: 15%

**I HAVE NO SPARE CASH**
- Q3 13: 18%
- Q4 13: 18%
- Q1 14: 20%
- Q2 14: 19%
- Q3 14: 19%
MORE SHOPPERS LOOK TO SAVE

Even though discretionary spending is up in a few categories, Canadians are also looking more closely at cost-cutting strategies. Compared to this time last year, 59% of Canadians have changed their shopping habits to save. That’s up, midway between the 54% who said the same in Q2 and the 63% who said so in Q1.

“Canadian consumers are more deal savvy than ever, and as ready as they are to open up their wallets, the expectation is clear: they want more value for less money,” said Allison

Of the 15 strategies that Nielsen asks about, Canadians are adopting 10 in greater numbers than last quarter. The percentage point differences from the Q2 survey are in parentheses.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Percentage</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend less on new clothes</td>
<td>59%</td>
<td>+6</td>
</tr>
<tr>
<td>Cut down on take-away meals</td>
<td>54%</td>
<td>+5</td>
</tr>
<tr>
<td>Try to save on gas and electricity</td>
<td>52%</td>
<td>+4</td>
</tr>
<tr>
<td>Cut down on out-of-home entertainment</td>
<td>52%</td>
<td>-1</td>
</tr>
<tr>
<td>Switch to cheaper grocery brands</td>
<td>45%</td>
<td>+1</td>
</tr>
<tr>
<td>Delay upgrading technology (PC, mobile, etc.)</td>
<td>35%</td>
<td>+2</td>
</tr>
<tr>
<td>Use my car less often</td>
<td>32%</td>
<td>-2</td>
</tr>
<tr>
<td>Cut down on holidays/short breaks</td>
<td>30%</td>
<td>-3</td>
</tr>
<tr>
<td>Cut down on telephone expenses</td>
<td>28%</td>
<td>+1</td>
</tr>
<tr>
<td>Delay replacing major household items</td>
<td>28%</td>
<td>+2</td>
</tr>
<tr>
<td>Cut down on at-home entertainment</td>
<td>26%</td>
<td>+2</td>
</tr>
<tr>
<td>Cut out annual vacation</td>
<td>25%</td>
<td>-2</td>
</tr>
<tr>
<td>Look for better deals on home loans, insurance, credit cards, etc.</td>
<td>24%</td>
<td>+1</td>
</tr>
<tr>
<td>Cut down on or buy cheaper brands of alcohol</td>
<td>17%</td>
<td>+1</td>
</tr>
<tr>
<td>Cut down on smoking</td>
<td>13%</td>
<td>-1</td>
</tr>
</tbody>
</table>
JOB PROSPECTS BRIGHTEN

Optimism about job prospects is one of the high points of the Q3 Nielsen survey. Over the past year, the percentage of Canadians in the quarterly surveys who rated job prospects as “good” or “excellent” were 50%, 52%, 52% and 50%. The Q3 2014 survey breaks that pattern, with 56% of Canadians now positive about employment.

According to the most recent Statistics Canada reports, that optimism is well-founded. Employment increased by 74,000 jobs in September 2014, nearly all of that in full-time work. That far exceeded the expectations of most economists.

This dropped the unemployment rate by 0.2 percentage points to 6.8%, the lowest in almost six years, since December 2008. As Statistics Canada notes, if Canada used the same formula as in the U.S., the unemployment rate here would actually be 5.9%.

Not all groups are experiencing employment gains equally. While jobs for youth increased so did the numbers of young people participating in the labour force. As a result, the youth unemployment rate was essentially the same at 13.5%. Among Canadians aged 55-plus, employment was also little changed.

In the last 12 months, employment in Canada has grown by an average of 13,000 per month, for a total increase of over 150,000 (plus 0.8%).

“It is still early to tell, but the newly created jobs may lead to broader gains in consumer spending, given that they bring a meaningful wage growth with them,” Allison commented. “For starters, consumers are regaining optimism which is a first step to spending revival”
RECESSION FEARS KEEP FALLING

Just 41% of Canadians now feel that Canada is in a recession, as that perception continues to diminish. Consider that exactly one and two years ago, those percentages stood at 47% and 49% respectively.

How does this compare with the recessionary mindset in other countries? Of the 60 that Nielsen surveyed, the residents of only nine felt better about their country’s economic footing.

DO YOU THINK YOUR COUNTRY IS IN AN ECONOMIC RECESSION AT THE MOMENT? (% ANSWERING YES)
DEBT ROCKETS BACK TO #1 CONCERN

The burden of debt is weighing on the minds of Canadians. That’s the #1 concern, back to the level in Q1 after falling last quarter. Among the top 5 worries, other financial and cost concerns are either about the same as last quarter or actually down.

In September, Statistics Canada reported that total credit market debt (consumer credit, mortgage, and non-mortgage loans) was up 1.3% for the last quarter they surveyed, outpacing the lukewarm growth in disposable income of 0.6%.

The ratio of credit debt to disposable income, a sign of household debt burden, was up to 163.6%, just below the record 164.1% reached in Q3 of 2013. That raises worries about how consumers would be able to handle either higher interest rates or another economic slide. According to the Nielsen survey, Canadians share those concerns.

“With slow growth in both dollars and units, and a value-driven, debt-concerned consumer, 2014 is proven to be an exercise in patience for both retailers and manufacturers, as optimism isn’t translating into growth,” says Allison

The top concerns of Canadians, with the percentage point difference from the Q2 survey in parentheses:

<table>
<thead>
<tr>
<th>WHAT IS YOUR BIGGEST CONCERN OVER THE NEXT SIX MONTHS?</th>
<th>#1 CONCERN</th>
<th>#2 CONCERN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>17%</td>
<td>11%</td>
<td>28% (+6)</td>
</tr>
<tr>
<td>Increasing utility bills</td>
<td>8%</td>
<td>13%</td>
<td>21% (+1)</td>
</tr>
<tr>
<td>Health</td>
<td>11%</td>
<td>8%</td>
<td>19% (-4)</td>
</tr>
<tr>
<td>Increasing food prices</td>
<td>9%</td>
<td>9%</td>
<td>18% (-3)</td>
</tr>
<tr>
<td>Job security</td>
<td>11%</td>
<td>6%</td>
<td>17% (+1)</td>
</tr>
<tr>
<td>The economy</td>
<td>7%</td>
<td>10%</td>
<td>17% (+1)</td>
</tr>
<tr>
<td>Work-life balance</td>
<td>7%</td>
<td>6%</td>
<td>13% (-1)</td>
</tr>
<tr>
<td>Increasing fuel prices</td>
<td>5%</td>
<td>8%</td>
<td>13% (-4)</td>
</tr>
</tbody>
</table>
ABOUT THE SURVEY

The Nielsen Global Survey of Consumer Confidence and Spending Intentions was conducted August 13–September 5, 2014, and polled more than 30,000 online consumers in 60 countries throughout Asia-Pacific, Europe, Latin America, the Middle East, Africa and North America. The sample has quotas based on age and sex for each country based on its Internet users, is weighted to be representative of Internet consumers and has a maximum margin of error of ±0.6%.

This Nielsen survey is based on the behavior of respondents with online access only. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60-percent Internet penetration or 10M online population for survey inclusion. The China Consumer Confidence Index is compiled from a separate mixed methodology survey among 3,500 respondents in China. The Nielsen Global Survey, which includes the Global Consumer Confidence Index, was established in 2005.

ABOUT NIELSEN

Nielsen N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

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